

Message Text

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SUBJ: GOVERNMENT EXPLAINS PRICE AND COMMODITY SITUATION

REF: LISBON 3590

1. SUMMARY: IN YET ANOTHER COMPLEMENT TO THE PRIME MINISTER'S AUGUST 18 SPEECH ON PORTUGAL'S ECONOMIC PROBLEMS AND THE NEED FOR AUSTERITY (REFTEL), SECRETARY OF STATE FOR SUPPLY AND PRICES DR. NELSON TRIGO OUTLINED AUGUST 27 ON TV THE STEPS THE GOVERNMENT IS TAKING TO CONTROL PRICES AND ASSURE SUPPLIES. END SUMMARY.

2. IN AUGUST 27 TV ADDRESS SECRETARY OF STATE FOR SUPPLY AND PRICE, DR. TRIGO, POINTED OUT THAT THE RECENTLY ANNOUNCED INCREASE IN PRICES OF BASIC NECSSITIES (SEE REFTEL) TOOK CARE OF ONLY A PART OF THE INCREASE IN COSTS OF RAW MATERIALS (SOME OF WHICH ARE ALMOST TOTALLY IMPORTED), AND THAT SOME PRODUCTS ARE STILL HIGHLY SUBSIDIZED. HE GUARANTEED THAT THESE NEW PRICES FOR CEREAL AND FEED PRODUCTS,
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BREAD, SUGAR, FERTILIZER, AND GASOLINE WOULD NOT BE

RAISED FOR AT LEAST SIX MONTHS.

3. ACCORDING TO THE SECRETARY, CONTROL OF BOTH PRICES AND QUALITY WILL BE EXERCISED BY THE NEW DIRECTORATE-GENERAL OF ECONOMIC SUPERVISION (DIRECCAO-GERAL DE FISCALIZACAO ECONOMICA), WHICH CENTRALIZES FUNCTIONS FORMERLY DISPERSED IN VARIOUS ECONOMIC COORDINATION AND CORPORATIVE ORGANIZATIONS. PRICE CONTROL WILL BE MAINTAINED BY OBLIGATORY PUBLICATION OF PRICES BY VENDORS NOTICES IN THE MEDIA, AND DISTRIBUTION OF PAMPHLETS. HOWEVER, HE DID NOT SPECIFY WHAT POWERS OF PUNISHMENT FOR INFRACTIONS THE DIRECTORATE WOULD BE GIVEN.

4. DR. TRIGO EMPHASIZED THAT THE GOVERNMENT HAS ASSURED ADEQUATE SUPPLIES OF FROZEN MEAT, MILK, BUTTER, COD FISH, POTATOES, OLIVE OIL, SUGAR, AND CEREALS. FUTURE PRODUCTION AND MODERATELY-PRICED SUPPLIES WILL BE STIMULATED BY EXPANSION OF GRAIN AND BULK SUGAR STORAGE FACILITIES, CONTRACTS FOR AGRICULTURAL PRODUCTION AND DIRECT SALE TO THE PUBLIC, ENCOURAGEMENT OF CONSUMER COOPERATIVES AND ASSOCIATIONS, AND REORGANIZATION OF THE MARKETS FOR ESSENTIAL PRODUCTS (FISH, MEAT, MILK, FRUITS, AND PRODUCE).

5. A GREAT PART OF THE RESPONSIBILITY FOR MAINTAINING STABLE PRICES WAS LAID ON BUSINESS. THE SECRETARY OF STATE SAID THAT BUSINESS SHOULD MAKE PROVISION FOR FIRM SUPPLIES OF MATERIALS, ESPECIALLY INCREASINGLY HIGHER-PRICED IMPORTED ONES, IN ORDER TO OPERATE WITHIN THE GOVERNMENT'S PRICE CONTROL SCHEME. HE ALSO SAID THAT "IN PRINCIPLE" INCREASED IN LABOR FACTOR COSTS ARE TO BE BORNE BY BUSINESS ITSELF, THROUGH RESTRUCTURING TO INCREASE PRODUCTIVITY, AND SHOULD NOT BE REFLECTED IN HIGHER PRICES.

6. COMMENT: THE GOVERNMENT MAY WELL BE GIVING THE PUBLIC NOTICE THAT FURTHER INCREASES IN BASIC COMMODITY PRICES CAN BE EXPECTED LATER ON. THE SECRETARY OF STATE'S LIMITED DESCRIPTION OF THE
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GOVERNMENT'S PRICE STABILIZATION SCHEME PROVIDES LITTLE GROUNDS FOR BELIEVING THAT THIS EFFORT WILL BE MORE SUCCESSFUL THAN THOSE MOUNTED IN THE PAST. IT IS ALSO UNREALISTIC UNDER PRESENT CIRCUMSTANCES TO EXPECT COMPANIES TO ABSORB ALL OF THE VERY LARGE LABOR COST INCREASES WHICH THEY HAVE INCURRED, ESPECIALLY SINCE PRODUCTIVITY HAS TENDED TO DECLINE AS WAGES HAVE RISEN.

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